



CANLAN ICE SPORTS CORP.

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED
December 31, 2011**

DATED: March 22, 2012

FORWARD LOOKING STATEMENTS

Certain statements in this Annual Information Form may constitute "forward looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this Annual Information Form, such statements may use such words as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this Annual Information Form. These forward looking statements involve a number of risks and uncertainties. Some of the factors that could cause actual results to differ materially from those expressed in or underlying such forward looking statements are the effects of, as well as changes in: international, national and local business and economic conditions; political or economic instability in the Corporation's markets; competition; legislation and governmental regulation; and accounting policies and practices. The foregoing list of factors is not exhaustive. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements.

DEFINITIONS

In this Annual Information Form, references to "the Corporation" or to "we", "us", and "our" refer to Canlan Ice Sports Corp. together with its subsidiaries. References to "Canlan" are to Canlan Ice Sports Corp.

References to IFRS refers to International Financial Reporting Standards. Contained in the discussion we also disclose financial results dating from before our transition to IFRS. These are identified by the title Previous GAAP.

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THE CORPORATION

Incorporation

Canlan was formed by the amalgamation on December 24, 2004 of Canlan Ice Sports Corp. and three of its wholly-owned subsidiaries, Ice Sports Centre Etobicoke Inc., Adult “Safe-Hockey” Leagues Ltd. and O & O Development Corporation, under the British Columbia *Business Corporations Act*. The amalgamated Canlan adopted the constating documents of the parent holding company, “Canlan Ice Sports Corp.”, which was incorporated under the *Companies Act* of British Columbia in 1956, under the name Burrard Mortgage Investments Ltd. In 1974, the restrictions on the business this company could carry on were removed, the maximum selling price of the shares was deleted, and new articles were adopted. In 1978, the company’s name was changed to Canlan Investment Corporation, and its authorized capital was increased. In 1990, the authorized capital was again increased, and the designation of its shares was changed to “common shares”. In 1999, its name was changed to “Canlan Ice Sports Corp.”, to align the name with its new business focus. In 2000, its authorized capital was increased to 500,000,000 common shares. In 2005 Canlan completed a transition rollover under the British Columbia *Business Corporations Act*, which resulted in its memorandum being replaced by a notice of articles. Further, in 2005 Canlan adopted a new set of articles and created a new class of preference shares with no maximum authorized capital. In 2008, Canlan consolidated all of its issued and outstanding common shares on a 20 for 1 basis. All share, stock appreciation rights and per share information in this document have been restated to reflect the share consolidation on a retrospective basis.

Canlan’s common shares (the “Common Shares”) are listed on the Toronto Stock Exchange (“TSX”) under the symbol “ICE”. The registered and records offices of Canlan are located at 1900-1040 West Georgia Street, Vancouver, British Columbia, V6E 4H3. Canlan’s head office is located at Burnaby 8Rinks, 6501 Sprott Street, Burnaby, British Columbia V5B 3B8.

Intercorporate Relationships

Subsidiaries

The following is a list of Canlan’s principal subsidiaries, all of which are wholly-owned by Canlan:

<u>Name of subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage Interest</u>
Canlan Ice Sports (USA) Corp.	Washington	100%
Canlan Management Services Ltd.	British Columbia	100%
Les Quatre Glaces (1994) Inc.	Quebec	100%
P.C. Development Inc.	Oregon	100%

Principal Shareholder

Bartrac Investments Ltd. currently holds 10,075,947 Common Shares, representing approximately 75% of the outstanding Common Shares. Bartrac Investments Ltd. acquired 2,575,947 of these shares from Bartrac Holdings Ltd., a company affiliated with Bartrac Investments Ltd., on December 23, 2000. Bartrac Investments Ltd. acquired an additional 7,500,000 Common Shares by exercising rights to acquire Common Shares under a rights offering made by Canlan in 2004 to the holders of its Common Shares.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

The Corporation's principal business is the acquisition, development and operation of recreational ice facilities in North America. The Corporation currently owns, leases or manages a network of 20 facilities in Canada and the United States containing 62 full sized ice sheets and two indoor soccer fields. The Corporation owns 10 of these facilities containing 1.1 million square feet of space, operate two facilities under long-term land lease arrangements and a further four under operating leases. We currently manage four facilities on behalf of third party owners. Canlan owns and operates these facilities directly and through several subsidiaries. See “- Ice Facility Operations” and “Description of Business – Summary Ice Facility Operations”.

The Corporation generates revenues from five core business segments:

Ice Sales and Internal Programming (grouped as “Ice Sales”)

Ice sales include revenues from contract rental of ice-time, team registration fees for leagues organized by the Corporation, tournament registration fees, and enrolment fees for ice programs and youth camps. Ice sales account for approximately 74% or \$53.4 million of the Corporation's total revenues in 2011.

Restaurant and Lounge Operations

The Corporation operates restaurants and concession outlets within its ice rink facilities that generate revenue. Approximately 16% or \$11.6 million of the Corporation's revenues were generated from restaurant and lounge operations in 2011.

Sports Store Operations

The Corporation operates sports stores that sell hockey, skating and soccer equipment and apparel in its ice rink facilities. Retail sales from sports stores generated approximately \$2.0 million or 2.8% of the Corporation's total revenues in 2011.

Advertising and Other Operations

Included in advertising and other revenue are fees from teams registering in tournaments organized by Canlan's tournament division. See "Recent History" under the "General Development of the Business". The Corporation also earns revenues related to advertising, vending and space rental in its ice rink facilities. All of these revenue sources totalled approximately \$4.7 million or 7% of the Corporation's total revenues during 2011.

Management and Consulting Services

Included in total revenues are fees earned from consulting and management contracts where the Corporation manages recreation facilities owned by third parties. In 2011, management services revenue totalled \$226,000 or 0.2% of the Corporation's total revenues in 2011.

Recent History

Over the past three years, the Corporation has concentrated on the following business areas:

- Generating organic revenue and income growth through continuously improving customer service, aggressive marketing of enhanced product lines, and controlling cost
- Capital management to ensure appropriate financing for our properties are in place, adequate working capital is available during all seasons, and debt obligations and covenants are fully met
- Renovating and renewing existing and newly purchased recreation facilities to ensure the buildings are safe, efficient, and aesthetically pleasing. In addition, executing energy conservation initiatives to both save energy costs and reduce carbon emissions
- Executing a growth strategy that enables the Corporation to grow through acquisitions, leasing, and new sponsorship opportunities. In 2011, the Corporation purchased a new rink facility in Romeoville, Illinois, United States. See "Recent History" – "*Capital Expenditures*" and "*Growth.*"

Revenue and Income Growth

From 2009 to 2011, the Corporation continued to grow its in-house leagues, skating and hockey programs, and camps for youth and adults. Registrations for programs such as the 3 on 3 League, Camp Canlan, and Hockey Academy lessons have grown substantially during this period. Revenue from our instructional programs and youth leagues over the past three years are as follows:

Year	(in thousands)
2009	\$ 6,770
2010	\$ 7,645
2011	\$ 8,188

The Adult Safe Hockey League (ASHL) is Canlan's most successful program, and revenue has grown each year since 1999. The numbers of players registered in the winter and summer ASHL during the past three years are as follows:

Year	Number of players registered
2009	68,000
2010	70,000
2011	70,000

In 2009, revenue from the ASHL was \$22.8 million, or approximately 46% of total revenue from ice facility operations. In 2010, revenue from the ASHL was \$24.2 million, or approximately 47% of total revenue from ice facility operations, and in 2011 revenue from the ASHL totaled \$24.5 million which represented 46% of total revenue from ice facility operations. The relatively small increase in ASHL revenue in 2011 was mainly due to the sale of Ice Sports Regina in September 2011. ASHL revenue for this facility from September to December usually accounts of approximately \$400,000. The addition of Ice Sports Romeoville in June 2011 helped offset a small part of this decrease but ASHL volumes in this facility is not as robust as Regina. For the 2011/2012 fall/winter season, there was a net decrease of 71 teams playing in our adult recreational league because of the sale. The growth of registrations in the ASHL has generally slowed down compared to historical experience due to increased competition from other league and rink operators and from other recreational activities. Management's focus is to continuously enhance the experience of players that participate in the ASHL, whether it be the registration process, game play, playoff formats, or post-game social networking.

The ASHL and other in-house programs and leagues have reduced the Corporation's reliance on the booking of ice time by third party users, which can be unpredictable due to many factors beyond the Corporation's control, especially during the slower summer months.

Over the past three years, the Corporation has continuously improved and grown its offering of hockey tournaments for youth and adult players. The tournament division holds most of its events in Canlan owned facilities as its main objective is to fill summer-time ice that would otherwise go unused or yield low hourly rates. In addition, the tournaments generate ancilliary revenues for the facilities' food & beverage and sports store operations. Revenue earned from tournament registrations over the past three years were \$1.6 million in 2009, \$1.8 million in 2010 and \$2.0 million in 2011.

The growth of these programs along with Canlan's indoor soccer leagues has contributed directly to the growth in revenue over the past three years.

The following table summarizes certain consolidated financial information over the past three years and illustrates the trend in revenues and earnings achieved as discussed above:

	Year ended December 31		
	IFRS 2011	IFRS 2010	Previous GAAP 2009
	(in thousands of dollars, except per share amounts and issued and outstanding Common Shares)		
Revenue from operations	\$71,966	\$69,909	\$67,196
Earnings from operations before G&A expense	14,119	14,282	15,054
EBITDA	9,848	9,718	10,915
Net earnings before tax	4,113	1,795	3,333
Net earnings after tax	2,844	733	2,734
Net earnings per Common Share (basic and fully diluted)	\$0.21	\$0.05	\$0.20
Cash flow from operations	7,140	5,450	8,050
Total assets	104,740	105,626	113,548
Debt on ice rinks	40,899	44,022	46,595
Issued and outstanding Common Shares	13,337,448	13,337,448	13,337,448
Shareholders' equity	\$44,632	\$42,589	\$46,173

From 2009 to 2011, the Corporation generated positive EBITDA in all quarters, except for Q3 of 2010.

"EBITDA" means earnings before interest, taxes, depreciation and amortization, in addition to loss on held-for-trading financial instruments and gains and losses from foreign exchange and sale of assets. Management focuses much attention on EBITDA because EBITDA is most closely related to cash flow before principal and interest payments on debt and before capital expenditures. However, EBITDA is not a term that has specific meaning in accordance with IFRS, and may be calculated differently by other companies. EBITDA should not be considered in isolation, as a substitute for earnings

from operations or cash flow data calculations made in accordance with IFRS, or as a measure of the Corporation's profitability or liquidity.

Over the past few years, despite declining margins, good cash flow has strengthened the Corporation's cash position and in turn, allowed Canlan to reduce debt as scheduled while continuing to invest in capital projects and not require any short-term loans during the slower summer season – See “The Corporation” – “Intercorporate Relationships” – “Principal Shareholder.” In addition, it has also enabled Canlan to start a defined contribution pension plan for employees and declare its first common share dividend in December 2010 that was paid in January 2011. The Corporation's dividend is set at \$0.06 per share annum, payable quarterly. A dividend of \$0.015 per share was paid in January, April, July and October of 2011.

Capital Management

At December 31, 2011, the Corporation had debt on ice rink properties with three lending institutions as follows:

- \$9,000,000 loan bearing interest at Prime rate plus 1.25% maturing on September 30, 2014. Canlan has entered into an interest rate swap agreement to fix the interest rate on the total principal borrowed at a rate of 4.15% per annum, under an agreement expiring on September 30, 2014. As at December 31, 2011, the balance outstanding was \$8,869,000;
- \$5,381,000 loan bearing interest at Prime rate plus 1.25% maturing on September 30, 2014. At December 31, 2011, the balance outstanding was \$4,297,000;
- \$30,000,000 loan bearing interest at 6.79% maturing on July 15, 2018. Principal repayments are seasonal and made from September to December of each year. Such a payment plan will assist to mitigate the seasonal affects on cash flow. As at December 31, 2011, the balance outstanding was \$25,500,000; and
- \$2,555,000 (US\$2,500,000) loan bearing interest at LIBOR plus 2.5% maturing on October 31, 2016. At December 31, 2011, the balance outstanding was \$2,525,000 (US\$2,472,000). This loan was obtained in 2011 to help finance the purchase of a new ice rink facility in Romeoville, Illinois. See “General Development of the Business – Recent History – Capital Expenditures.”

See “Description of the Business – Loans – Loans from Financial Institutions”.

Capital Expenditures

During 2009, significant capital expenditures included upgrades to Ice Sports York that was purchased in 2006, seismic upgrades at Burnaby 8Rinks, new dehumidification systems, and energy efficient lighting systems.

In February 2010, a new rink facility was leased in Fort Wayne, Indiana. This new three-pad facility was built by a third-party and leased by the Corporation pursuant to a 20-year lease agreement. See “Description of the Business – Summary of Ice Facility Operations – Fort Wayne.” As part its start-up plan, \$510,000 of capital expenditures was made to furnish the new arena with ice-level equipment, furniture and fixtures, and equipment for programming and birthday parties. At other rink facilities, the seismic project continued at Burnaby 8Rinks and other capital was spent on dressing rooms, restaurant fixtures, and projects to improve energy efficiency.

In June 2011, Canlan purchased a 3-pad ice rink facility in Romeoville, Illinois for \$3,700,000 (US\$3,800,000). A combination of available cash on hand and bank financing was utilized to make the acquisition. The 106,000 square foot facility contains three ice pads, concession, and a proshop. The facility is named Ice Sports Romeoville and is home to a large youth hockey organization in the community. At other rink facilities, the first phase of seismic upgrades at Burnaby 8Rinks was completed, and capital expenditures were incurred to renovate dressing rooms, and replace furniture, fixtures, and plant equipment, all totaling \$1.5 million.

In addition to Ice Sports Romeoville, two other capital transactions were completed during 2011. Ice Sports Regina in Saskatchewan and Les Deux Glaces in Candiac, Quebec were both sold. Due to over capacity in the Regina marketplace, management decided to exit the market. Les Deux Glaces had been leased to the City of Candiac since 2008 and pursuant to the lease agreement, the lessee had an option to purchase the facility. The City exercised this option in December 2011. Proceeds from disposal were redeployed towards a combination of debt reduction , equity contribution towards Ice Sports Romeoville, and savings for future expansion opportunities. A combined accounting gain of approximately \$2.6 million was recorded from the sale of these properties.

Investments in strategic areas to improve overall safety and reduce energy costs are very important and will continue to be made in 2012.

Growth Strategy

In 2009, the senior executives, along with other key personnel of the Corporation, prepared a strategic plan to update a previous initiative. Through this update, we developed six critical success factors supported by specific project objectives and initiatives that were reviewed with the entire organization:

- 1) **Sales and Marketing** - Cutting edge marketing that maximizes brand awareness, revenue and customer loyalty.
- 2) **Customer Experience** – Exceptional service delivered by well-trained and motivated staff that results in consistently great experiences.
- 3) **New Ventures & Innovation** - Proactively seek out new opportunities that drive revenue and income growth.
- 4) **Operational Excellence** – Highly efficient and effective facility operations using industry – leading technology, streamlined process and consistent best practices.
- 5) **People & Leadership** – Strong leadership and highly dedicated people accountable for delivering outstanding customer experiences and business results.
- 6) **Culture** – High energy action-oriented culture that has a strong foundation in team-work, pride, respect and accountability.

Ongoing updates of the project initiatives are reviewed by management to ensure we remain on track to achieve these critical success factors.

Specific to growth by expansion, throughout the past three years, the Corporation has added recreation facilities to its portfolio by way of operating lease arrangements and purchase transactions:

- We added a three-pad facility in Fort Wayne, Indiana to our portfolio by way of a lease agreement in February 2010. See “Description of the Business – Summary of Ice Facility Operations – Fort Wayne”
- We purchased a three-pad facility in Romeoville, Illinois in June 2011. See “Description of the Business – Summary of Ice Facility Operations – Romeoville”

Current Financial Year

In 2011, the Corporation's EBITDA was \$9.8 million on sales of \$72 million compared to \$9.7 million and \$69.9 million respectively in 2010. While revenue continued to grow, EBITDA remained relatively the same mainly due to the start-up of the new facility in Romeoville, Illinois (See "Description of the Business – Summary of Ice Facility Operations – Romeoville") and having to incur approximately \$0.5 million in operating costs for roof maintenance projects. In 2012, we expect Ice Sports Romeoville to benefit from having a full year of operations.

For 2012, the Corporation will focus on some important initiatives as follows:

- 1) Operating Ice Sports Romeoville for a full season of minor hockey, adult recreation leagues, and summertime programs.
- 2) Capital projects to enhance building structure, replace equipment and fixtures, and reduce energy consumption will continue to be completed in accordance with the Corporation's long-term capital plans.
- 3) New energy purchase agreements were completed for Ontario facilities, which should result in a reduction to hydro electricity and natural gas rates in 2012.

DESCRIPTION OF THE BUSINESS

General

The Corporation's principal business is the acquisition, development and operation of recreational ice facilities in North America. The Corporation currently owns, leases or manages a network of 20 facilities in Canada and the United States containing 62 full sized ice sheets and two indoor soccer fields. The Corporation owns 10 of these facilities containing 1.1 million square feet of space; we operate two facilities under long-term land lease arrangements and a further four under operating leases. We currently manage four facilities on behalf of third party owners. Canlan owns and operates these facilities directly and through several subsidiaries. See "Summary of Ice Facility Operations."

Canlan is a Canadian public company with shares listed on the TSX and is one of the largest developers and operators of ice recreation and leisure facilities in North America. The facilities are generally operated under the registered trade name of "Canlan Ice Sports".

The Corporation generates revenues from five core business segments:

Ice Sales

The Corporation includes revenues from the following activities in the revenues generated by this business segment: revenues from contract rental of ice-time, team registration fees for leagues organized by the Corporation, tournament registration fees, enrolment fees for ice programs and youth camps. Revenues from ice facility operations account for approximately 74% of the Corporation's total revenues.

Restaurant and Lounge Operations

The Corporation operates restaurants, sports bars, and concession outlets within some of its ice rink facilities. Approximately 16% of the Corporation's revenues are generated from restaurant and lounge operations.

Sports Store Operations

The Corporation operates sports stores that sell hockey and skating equipment and apparel in its ice rink facilities. Retail sales from sports stores generate approximately 2.8% of the Corporation's total revenues.

Advertising and Other Operations

The Corporation also earns revenues related to advertising, vending, space rental in its ice rink facilities, and tournament registrations of in-house tournaments created and operated by a Division of Canlan. These revenue streams represent approximately 7% of the Corporation's total revenues.

Management and Consulting Services

Included in total revenues are fees earned from consulting and management contracts where the Corporation manages recreation facilities owned by third parties. In 2011, this revenue source accounted for less than 1% of the Corporation's total revenues. At the date of this report, the Corporation manages four facilities on behalf of third parties.

The tables below present a breakdown of Canlan's revenues by type and geographic location for 2011 and 2010:

<i>in thousands</i>	2011		2010	
	Sales	% of total	Sales	% of total
Ice Sales	\$53,384	74	\$51,343	73
Restaurant and Lounge	11,604	16	11,797	17
Sports Store	2,020	3	1,960	3
Tournament Division	2,041	3	1,785	3
Management fees & consulting	226	-	286	-
Other	2,691	4	2,738	4
	\$71,966	100	\$69,909	100

<i>in thousands</i>	2011		2010	
	Sales	% of total	Sales	% of total
Canada:				
British Columbia	\$17,415	24	\$17,005	24
Alberta	141	-	139	-
Saskatchewan	6,794	9	6,967	10
Manitoba	3,784	5	3,768	5
Ontario	34,086	47	33,876	48
Quebec	5,778	8	5,615	8
	67,998	94	67,370	96
USA	3,968	6	2,539	4
	\$71,966	100	\$69,909	100

Summary of Ice Facility Operations

British Columbia

Ice Sports 8-Rinks

Ice Sports 8-Rinks, in Burnaby, British Columbia, the Corporation's largest facility, is owned by Canlan. This facility contains seven National Hockey League ("NHL") standard ice surfaces, one indoor soccer field, a licensed restaurant and lounge, and a sports store. A human performance centre and a physiotherapy clinic are operated at this facility by tenants.

Ice Sports North Shore

Ice Sports North Shore, in North Vancouver, British Columbia, is a three-rink complex. The land on which the facility is situated is owned by The Corporation of the District of North Vancouver. Pursuant to the terms of an ice facility partnering agreement between Canlan and The Corporation of the District of North Vancouver, Canlan constructed the facilities on this property for The Corporation of the District of North Vancouver and Canlan has no interest, legal or beneficial, in the facilities or the land. Pursuant to the terms of this ice facility partnering agreement, Canlan has been appointed to manage the facilities for a 50-year term, during which Canlan is entitled to any surplus revenues after the payment of all costs associated with operating the facility. Canlan is required to pay all costs associated with the facility even if there are not sufficient revenues to cover these costs. Canlan is entitled to a fee from The Corporation of the District of North Vancouver, based on the hours the facility is made available for public programs. If the facilities are ever rendered wholly or partially unusable for public programs, then The Corporation of the District of North Vancouver's obligations to compensate Canlan for the time made available for public programs will abate until the facilities are reconstructed, and the term of the ice facility partnering agreement will, at Canlan's option, be extended for a period equal to the abatement period. This ice facility partnering agreement will expire on August 31, 2048, unless extended by the abatement period or at the option of The Corporation of the District of North Vancouver upon any default by Canlan in its obligations under the agreement. This facility contains three NHL standard ice surfaces, a licensed restaurant and lounge, and a sports store.

Ice Sports Langley Twin Rinks

Ice Sports Langley Twin Rinks, in Langley, British Columbia, is a two-rink complex in which an arm's length third party has a leasehold interest. The land on which the facility is situated is owned by the City of Langley. Canlan sub-leases the facility from the third party pursuant to a sub-lease agreement, which expires on December 31, 2014. This facility contains two NHL standard ice surfaces, a licensed restaurant and lounge, and a sports store.

South Cariboo Recreation Centre

South Cariboo Recreation Centre, in 100 Mile House, British Columbia, is a single-rink complex owned by the Cariboo Regional District. Canlan manages this facility pursuant to a 5-year management contract, which expires on December 3, 2013. There is no renewal right under this agreement. This municipal arena contains one NHL standard ice surface, three curling surfaces and a food and beverage concession.

Armstrong/Spallumcheen Parks & Recreation

The Armstrong/Spallumcheen Parks & Recreation facility, in Armstrong, British Columbia, is a single-rink complex. Canlan was originally engaged to manage all the facilities of the Armstrong/Spallumcheen Parks & Recreation Commission under a management contract that commenced on June 1, 2005. This contract was renewed under similar terms in 2010 and the contract extends from January 1, 2011 to December 31, 2015. The facilities under management include a single-pad ice arena, rodeo fairgrounds, swimming pool, auditorium, dry floor arena, park, and ball diamonds. At the end of the contract term, there is no renewal right but Canlan may, no later than one year prior to the end of the initial term, provide notice to the Armstrong/Spallumcheen Parks & Recreation Commission of an intent to negotiate an agreement to manage for an additional period.

Alberta

River Cree Twin Rinks

The River Cree Twin Rinks Facility in Enoch, Alberta (west of Edmonton), is a two-rink facility owned by an arms length third party that opened in the Summer of 2006. The Corporation manages this facility pursuant to a 5-year management contract, which expires on August 31, 2011. During 2011, this contract was renewed under similar terms and the contract extends from September 1, 2011 to August 31, 2012. There is no renewal right at the end of this agreement. The facility contains a food and beverage concession and a sports store and is attached to a casino/hotel resort complex.

Saskatchewan

Ice Sports Jemini

Ice Sports Jemini, in Saskatoon, Saskatchewan, is a four-rink complex owned by Iceplex 2000 Ltd., a wholly owned subsidiary of Canlan. This facility contains four NHL standard ice surfaces, a licensed restaurant and a sports store.

Ice Sports Agriplace

Ice Sports Agriplace, in Saskatoon, Saskatchewan, is a two-rink complex owned by Iceplex 2000 Ltd., a wholly owned subsidiary of Canlan. This facility contains two NHL standard ice surfaces, a licensed restaurant and a sports store.

Manitoba

Ice Sports Winnipeg

Ice Sports Winnipeg, is a four-rink complex owned by Canlan. This facility contains three NHL standard ice surfaces, one indoor soccer field, a licensed restaurant and a sports store. One ice surface was replaced by the indoor soccer field in 2006 to capitalize on the popularity of indoor soccer in the local community.

Ontario

Ice Sports Etobicoke

Ice Sports Etobicoke, in Etobicoke, Ontario, is a four-rink complex owned by Canlan. This facility contains four NHL standard ice surfaces, a licensed restaurant and a sports store.

Ice Sports Scarborough

Ice Sports Scarborough, in Scarborough, Ontario, is a four-rink complex owned by Canlan. This facility contains four NHL standard ice surfaces, a licensed restaurant and a sports store.

Ice Sports York

Ice Sports York in Toronto, Ontario, is a six-rink facility situated on land that is owned by York University. In August of 2006 Canlan purchased the assets of this facility and assumed a 49 year land lease agreement that ends on October 30, 2044 with York University. This facility contains five NHL standard ice surfaces, one Olympic-size ice surface, conference space, a licensed restaurant, and a sports store.

Ice Sports Oakville

Ice Sports Oakville, in Oakville, Ontario, is a four-rink complex owned by Canlan. This facility contains four NHL standard ice surfaces, a licensed restaurant and a sports store.

Ice Sports Oshawa

Ice Sports Oshawa, in Oshawa, Ontario, is a two rink complex owned by Canlan. This facility contains two NHL standard ice surfaces, a licensed restaurant and a sports store.

Ice Sports Victoria Park

Ice Sports Victoria Park, in Toronto, Ontario, is a two-rink complex owned by an arm's length third party. Canlan managed this facility on behalf of the owner until January 31, 2005, at which time Canlan negotiated an agreement to lease this facility from the owners. Since February 1, 2005, Canlan has leased the facility from the owner pursuant to a lease agreement, which expires on January 31, 2020. This facility contains two NHL standard ice surfaces and a sports store.

Quebec

Les 4 Glaces

Les 4 Glaces, a four rink complex in Brossard, Quebec, is owned by Les Quatre Glaces (1994) Inc., a wholly owned subsidiary of Canlan. This facility contains four NHL standard ice surfaces, a licensed restaurant and a sports store.

New Jersey

Ice Sports Vineland

Ice Sports Vineland, located in Vineland, New Jersey, is a two-rink complex owned by an arm's length third party. The Corporation leases the facility from the third party pursuant to a lease agreement, which expires on December 31, 2012, and operates the facility on its own account. At the end of the lease term, the Corporation has the option to purchase the facility for a price of \$3.8 million if the option is exercised for a period of 14 days from the expiration of the lease. This facility contains two NHL standard ice surfaces, a food and beverage concession, and a sports store.

In February 2012, Canlan announced that rink operations will cease at Ice Sports Vineland after March 31, 2012. The current fall/winter hockey season will be completed without interruption and Canlan will fulfill our lease commitment to the lessor until the end of the lease term which is December 31, 2012.

Indiana

Ice Sports Fort Wayne (Lutheran Health Sports Centre)

Ice Sports Fort Wayne, located in Fort Wayne, Indiana, is a three-rink complex owned by an arm's length third party. The Corporation leases the facility from the third party pursuant to a lease agreement, which expires in January 2030, and operates the facility on its own account. After the commencement of the lease, the Corporation has the option to purchase the facility for a price of US\$9.3 million if the option is exercised before the end of the fifth year of the lease or US\$9.8 million if the option is exercised after the fifth year but before the end of the seventh year of the lease. If the option is not exercised, the lease continues on until the expiry date. This facility contains three NHL standard ice surfaces, a restaurant, and a sports store. A large health services organization purchased naming rights to the facility through a sponsorship agreement.

Ice Sports McMillen

Ice Sports McMillen, a two-rink complex in Fort Wayne, Indiana, is owned by the City of Fort Wayne and managed by a third party that also built and owns Ice Sports Fort Wayne. This third party sub-contracted the Corporation to manage this facility on their behalf pursuant to a management agreement, which commenced in May 2009 and expires in May 2019. Currently, the facility is not active as the market demands in the community is being adequately met by Ice. The facility contains two NHL standard ice surfaces, a food and beverage concession and a sports store.

Illinois

Ice Sports Romeoville

Ice Sports Romeoville, a 106,000 square-foot three-rink facility, situated on 8 acres of land, was purchased by the Corporation in June 2011 for \$3.7 million. This facility contains three NHL standard ice surfaces, a food and beverage concession and a sports store. Romeoville is a suburb just south of Chicago, Illinois and the facility is the home of a large minor hockey organization.

Adult Safe Hockey League

The Corporation operates the Adult Safe Hockey League (“ASHL”), which is the largest adult recreational hockey league in North America, with more than 4,000 teams and in excess of 70,000 players. Teams in each facility play under a consistent set of rules that promote safe recreational hockey.

Restaurant and Lounge Operations

Most of the Corporation’s facilities have restaurants and sports bars that overlook the rinks and are designed to meet the requirements of its diverse user groups, which include minor hockey players, families and adult recreational users.

The Corporation currently operates over 6,600 restaurant seats. For the year ended December 31, 2011, revenues from restaurant and lounge operations totaled \$11.6 million, or approximately 16% of the Corporation’s total revenues.

Sports Store Operations

The Corporation has basic sports stores in most of its operations, focused on high volume, high margin items and services required by its user groups. Five of the stores are operated by third party operators that lease the space from our facilities and the other nine stores are operated by the Corporation on its own account. Although some of the Corporation’s sport stores sell apparel and skates, the Corporation does not attempt to compete with the big box and discount sports stores in respect of selection or pricing. The Corporation focuses on providing such services as skate sharpening and selling such high turnover items as sticks and hockey tape. During 2011 sports store revenues were \$2.0 million or approximately 2.8% of the Corporation’s total revenues.

Advertising and Other Operations

Due to the large number of people who visit the Corporation's facilities on a regular basis and such specific user groups as the ASHL, the Corporation offers local and national advertising and sponsorship opportunities.

Also included in other revenue are fees from teams registering in tournaments organized by Canlan's tournament division. See "Recent History" under the "General Development of the Business".

The Corporation rents space in its buildings to such complementary tenants as those providing sports medicine and sports training services, and other sports organizations.

Total revenue from these other sources in the year ended December 31, 2011, was \$4.7 million or approximately 7% of the Corporation's total revenues.

Management and Consulting Services

The Corporation provides services to capitalize on our industry expertise and operating knowledge. The Partnership Solutions Division offers various services to investors and municipalities, from one time consulting engagements to long-term management contracts. Total revenue generated from term management contracts and consulting engagements was \$226,000 in 2011.

Competition

The ice rink industry is highly competitive, and the Corporation competes with other private operators in these major markets; British Columbia, Manitoba, Ontario and Quebec, as well as with municipal governments that have different mandates and usually operate with significant losses. Other private operators may have more resources and less debt than the Corporation and municipal operations can operate at a loss for an indefinite period of time without the same negative consequences that such losses would have on private companies.

Our strategy to compete in this market place is to focus on customer service and delivering high quality ice sports programs, hockey leagues, and hockey tournaments that can be combined with hospitality and retail components. The Corporation's competitive strengths include:

- ***Geographic coverage.*** The Corporation owns and operates facilities in six provinces in Canada and three U.S. states, giving us a broad geographic coverage.

- ***Adult Safe Hockey League.*** The Corporation operates the largest and most established adult recreation hockey league in North America. The ASHL operates in both the winter and summer months and has over 70,000 players registered. It's a full service league and operates in all our buildings. Management carefully enforces a strict set of rules that govern the players' conduct in the ASHL, and conducts mandatory referee training clinics. Besides safe play, players also enjoy the benefits of proper competitive tiering, a real-time electronic statistics system and a customer loyalty and rewards program.
- ***Executive team.*** Canlan's executive team is comprised of nine individuals who are members of the management committee. This group meets regularly to discuss operations, policy, and strategy. These individuals have expertise in operations, marketing, finance and accounting, and human resources.
- ***Barriers to entry in the market.*** Construction costs continue to increase significantly making the replacement cost of our buildings much higher than original cost. The increased cost of construction will likely make privately funded construction projects less viable and mitigate some of the competition risk.
- ***Buying Power.*** As a result of being geographically diversified, and having significant volumes in a number of supply chains we are able to negotiate national supply agreements for preferred pricing.
- ***Our Employees.*** The Corporation currently has over 910 full time and part time employees. Through training, opportunity for advancement, and internal communications, we have established the Corporation as the place to work in our industry and as a result, we attract the most talented people in the industry. Our employees are focused on customer service and safety

Business Cycles

Our business cycle is highly seasonal. While 56% of our revenue is generated in the first and last quarters, 93% of our EBITDA is earned in the first and last quarters of the year. This is because the revenue with the highest margins, such as adult hockey leagues and contract ice sales, are earned predominantly during these two quarters. In addition, much of our operating costs are fixed. We have developed some cost reduction measures for the second and third quarters to complement the reduced traffic in our facilities. These programs focus on reducing variable costs such as wages and on scheduling lower lease and loan payments, where possible. At the same time, Canlan has grown program offerings targeted towards youth to increase revenue during the summer months. These strategies, along with continued increase in cash flow from the winter months have allowed Canlan to become self sustaining throughout the year.

Loans

Loans from Financial Institutions:

As at December 31, 2011, debt on ice rinks consists of four credit facilities with three lending institutions as follows:

- \$9,000,000 loan bearing interest at Prime rate plus 1.25% per annum payable monthly, maturing on September 30, 2014. The Corporation has entered into an interest rate swap agreement to fix the interest rate on the total principal borrowed at a rate of 4.15% per annum, under an agreement expiring on September 30, 2014. As at December 31, 2011, the balance outstanding was \$8,869,000;
- \$5,381,000 loan bearing interest at Prime rate plus 1.25% per annum, payable monthly, maturing on September 30, 2014. At December 31, 2011, the balance outstanding was \$4,297,000;
- \$30,000,000 loan maturing on July 15, 2018, fixed interest at 6.79% per annum, payable monthly. Principal is repaid on each of September 15, October 15, November 15, and December 15 of each year for \$375,000 per payment. Interest only payments are required for the remaining months of the year. As at December 31, 2011, the balance outstanding was \$25,500,000;
- \$2,555,000 (USD\$2,500,000) loan bearing interest at LIBOR plus 2.5%, payable monthly, maturing on October 31, 2016. At December 31, 2011, the balance outstanding was \$2,525,000 (USD\$2,472,000).

In addition to the loans outstanding, a lending institution has provided a \$5,000,000 committed revolving loan to assist Canlan with potential future acquisitions. Any amounts outstanding will accrue interest at Prime rate plus 1.25% and the credit facility will expire on September 30, 2014. During 2011, \$3,000,000 of this credit facility was temporarily drawn to purchase Ice Sports Romeville prior to arranging permanent financing of \$2,555,000 as discussed above. The temporary draw was fully repaid in October 2011. At December 31, 2011, there were no amounts outstanding related to the revolving credit facility.

The credit facilities are principally secured by the following:

- Demand mortgages and assignments of rents from Canlan creating a first fixed financial charge over the Burnaby “Ice Sports 8-Rinks”, Saskatoon Ice Sports Jemini, Ice Sports Agriplace, Winnipeg “Ice Sports Winnipeg”, Etobicoke “Ice Sports Etobicoke”, Scarborough “Ice Sports Scarborough”, Oakville “Ice Sports Oakville”, Oshawa “Ice Sports Oshawa” and Toronto “Ice Sports York” ice rink properties owned by the Canlan and includes the entire right title and interest of Canlan in its land lease between the Corporation and York University
- Collateral hypothec granted by Les Quatre Glaces (1994) Inc. over the Bossard “Les 4 Glaces” ice rink property owned by Les Quatre Glaces (1994) Inc.
- general security agreements creating a first fixed charge and security interest over all present and after acquired personal property of Canlan and a floating charge over all of Canlan’s present and after acquired real property
- assignment of all agreements and licenses held by Canlan from time to time in connection with the Toronto “Ice Sports York” ice rink property and land lease between the Corporation and York University
- unlimited guarantees of indebtedness by Les Quatre Glaces (1994) Inc. and Canlan Ice Sports (USA) Corp.

Employees

At December 31, 2011, Canlan had 910 full-time and part-time employees.

RISK FACTORS

Substantial Leverage and Ability to Service Indebtedness

The Corporation’s level of debt and the limitations imposed on it by its debt agreements could have important consequences, including the following:

- the Corporation will have to use a significant portion of its cash flow from operations for debt service, rather than for the Corporation’s operations.
- the Corporation may not be able to obtain additional debt financing for future working capital, capital expenditures or other corporate purposes.

- the Corporation could be more vulnerable to economic downturns and less able to take advantage of significant business opportunities or to react to changes in market or industry conditions.
- the Corporation's less leveraged competitors could have a competitive advantage.

The Corporation's ability to pay the principal and interest on the Corporation's debt obligations will depend on its future performance. To a significant extent, the Corporation's performance will be subject to general economic, financial and competitive factors. The Corporation can provide no assurances that its business will generate cash flow from operations sufficient to pay the Corporation's indebtedness, fund the Corporation's other liquidity needs or permit the Corporation to refinance its indebtedness. The Corporation can provide no assurances that it can secure any further credit facilities or that the terms of any such credit facilities will be favourable.

If the Corporation has difficulty servicing its debt, the Corporation may be forced to reduce or delay capital expenditures, seek additional financing, sell assets, restructure or refinance the Corporation's debt, or seek equity capital. The Corporation might not be able to implement any of these strategies on satisfactory terms, if at all. The Corporation's inability to generate sufficient cash flow or refinance its indebtedness would have a material adverse effect on the Corporation's financial condition, results of operations and ability to satisfy the Corporation's obligations.

Incurrence of Debt and the Granting of Security Interests

From time to time, the Corporation may enter into transactions and these transactions may be financed partially or wholly with short or long term debt, which may increase the Corporation's debt levels above industry standards and may require the Corporation to grant security interests in favour of third parties. Neither the Corporation's articles nor notice of articles limit the amount of indebtedness that the Corporation may incur or its ability to grant security interests. Should the Corporation default on any of its obligations under any secured credit facility, this could result in seizure of the Corporation's assets. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Seasonal Nature of the Corporation's Operations

The Corporation's business cycle is highly seasonal, with approximately 56% of its revenues and nearly all of its operating profit being generated in the first and last quarters. Traditionally, the Corporation has been cash flow negative in the spring and summer months. The Corporation anticipates it will have sufficient cash reserves to operate during the summer without the need to borrow funds. See "Description of the Business – Business Cycles"

Competition

The ice rink industry is highly competitive, and the Corporation competes with other private operators in its three major markets, British Columbia, Ontario and Quebec, as well as with municipal governments that have different mandates and usually operate with significant losses. Other private operators may have more resources and less debt than the Corporation and municipal operations can operate at a loss for an indefinite period of time without the same negative consequences that such losses would have on private companies. See "Description of Business – Competition".

Insurance Coverage

The Corporation develops and organizes hockey leagues to play at the facilities it owns and operates. Due to the nature of the sport, injuries can occur. The Corporation purchases liability and accident insurance, the cost of which is dependent upon the history of the number of injury claims and the quantum of such claims. There is always a risk that the cost of acquiring sufficient insurance to cover any such injury claims will become prohibitive or that such insurance will become unavailable. The Corporation has obtained insurance coverage that it believes would ordinarily be maintained by an operator of facilities similar to that of the Corporation. The Corporation's insurance is subject to various limits and exclusions. Damage or destruction to any of the Corporation's facilities or lawsuits arising from use of such facilities could result in claims that are excluded by, or exceed the limits of, the Corporation's insurance coverage.

Litigation

Due to the business nature of operating recreational facilities, the Corporation is involved in several legal proceedings. Management does not believe that the outcome of these proceedings will materially affect the Corporation's financial position - see "Legal Proceedings".

U.S. Operations

Certain U.S. markets are part of the Company's expansion strategies. As such, the Company faces the risks of operating in new markets where the demographics, consumer preferences, and economic conditions can be very different from Canadian markets in which the Company primarily operates. Should market conditions of new U.S. locations vary significantly from what was anticipated, the Company's financial results could be adversely affected.

In addition, The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company, the Canadian dollar. The currency in which these transactions are denominated is the U.S. dollar. The Company is exposed to the risk of loss depending on the relative movement of this currency against the Canadian dollar. The Company does not currently enter into forward contracts to mitigate this risk.

Employee and Union Relations

The Corporation has unionized employees at four of its facilities: "Ice Sports 8-Rinks" facility in Burnaby, British Columbia, "Ice Sports Winnipeg" facility in Winnipeg, Manitoba, and "Ice Sports Jemini" in Saskatoon, Saskatchewan and Les 4 Glaces in Brossard, Quebec. The presence of a unionized work force increases the possibility that a labour dispute will effect operations at a facility. The collective agreement with unionized employees at Ice Sports 8-Rinks was renewed in January 2011 and will expire in October 2013. The collective agreement with employees at Ice Sports Winnipeg was renewed as at November 2011, and will expire in October 2015. The union agreement for Ice Sports Jemini expired in February 2012 but negotiations are in progress and management expects to complete a renewal that would extend the agreement to February 2015. "Les 4 Glaces" in Brossard, Quebec was formally unionized in 2008 and a collective agreement was ratified in February 2009 that expired in February 2012. Management is in the process of negotiations to renew this collective bargaining agreement. The Corporation may not be able to negotiate a new contract on terms favorable to the Corporation which could result in increased operating costs as a result of higher wages or benefits paid to its unionized workers. If unionized workers engage in a strike or other work stoppage, the Corporation could experience a significant disruption in its operations or higher ongoing labour costs, which could have material adverse effects on the Corporation's business, financial condition, results of operations and cash flows.

Key Personnel

The Corporation's future success depends, to a large extent, on the efforts and abilities of its executive officers. As the Corporation's ability to retain these executive officers is

important to its success and growth, the loss of its executive officers could adversely affect the Corporation's business, financial condition, cash flows and results of operations.

Utility Costs

As electricity, natural gas and water are significant components of operating costs of the Corporation, it is susceptible to fluctuations in the market price of energy. If the Corporation experiences any power fluctuations or outages or cannot maintain adequate sources of natural gas and water, this may have a material adverse effect on the Corporation's business, financial conditions, results of operations and cash flows.

Control by Principal Shareholders

The principal shareholder, Bartrac Investments Ltd. holds 10,075,947 Common Shares and controls approximately 75% of the aggregate voting power of the Corporation, which will allow it to control substantially all the actions taken by the shareholders of the Corporation, including the election of the directors. Such concentration of ownership could also have the effect of delaying, deterring, or preventing a change of control of the Corporation that might otherwise be beneficial to its shareholders and may also discourage acquisition bids for the Corporation and limit the amount certain investors may be willing to pay for the Common Shares.

DIVIDENDS

The directors of Canlan are authorized, at their discretion, to declare dividends on the Common Shares out of the profits of Canlan subject to lender approval. On December 6, 2010 the Canlan announced the introduction of a quarterly dividend in the amount of \$0.015 per common share. The first dividend was paid on January 17, 2011 to shareholders of record on December 15, 2010. Since January 17, 2011, dividends were paid to common shareholders on a quarterly basis at \$0.015 per common share. Canlan expects to continue with this dividend payment schedule in 2012.

DESCRIPTION OF CAPITAL

The authorized capital of Canlan consists of 500,000,000 Common Shares with no par value and an unlimited number of preference shares.

As at December 31, 2011, Canlan had 13,337,448 Common Shares issued and outstanding, consistent with December 31, 2009 and 2010. On December 2, 2008,

Canlan completed a 20 for 1 share consolidation that reduced the issued and outstanding number of shares to 13,337,448. This is the number of Common Shares issued and outstanding on December 31, 2009. All share, stock appreciation rights and per share information in this document have been restated to reflect the share consolidation on a retrospective basis. The Corporation has not issued any Common Shares since November 2004.

Each Common Share carries the right for the holder thereof to receive notice of, attend and vote at any general meeting of Canlan. Each Common Share carries one vote and is entitled to dividends that may be declared by the Board of Directors, provided that no dividends may be declared on the Common Shares which reduce the assets of Canlan below the aggregate of the redemption amount of the preference shares (the "Preference Redemption Price" described below).

No preference shares have been issued. The preference shares may only be allotted and issued as consideration for the acquisition by Canlan of real or personal property in circumstances where the transferor and Canlan have agreed to elect to transfer such property pursuant to section 85 of the *Income Tax Act* (Canada). Pursuant to Canlan's articles, the holders of the preference shares shall have no voting rights, except with respect to the right to vote at separate meetings of holders of preference shares, and shall not be entitled to receive notice of, or to attend, any annual general meetings of Canlan. The preference shares shall not be entitled to receive any dividends. Each preference share is redeemable at the option of either Canlan or the holder of such preference share for an amount equal to the fair market value of the property acquired by Canlan in exchange for the preference shares as designated by the directors of Canlan, less any non-share consideration paid by Canlan, all divided by the total number of preference shares issued in exchange for that property (the "Preference Redemption Price").

In the event of the liquidation, dissolution or winding-up of Canlan or any other distribution of the assets of Canlan, the holders of the preference shares shall be entitled to receive, before the distribution of any assets to the holders of the Common Shares, the Preference Redemption Price for each preference share. Thereafter, the holders of the Common Shares shall participate equally in the distribution of the remaining assets of Canlan on a share for share basis, without preference or distinction.

MARKET FOR SECURITIES

The Common Shares are listed on the TSX under the symbol “ICE”.

The following table sets out the high and low trading prices and volumes for the specific periods:

Month ended:	High	Low	Volume
January 31, 2011	\$2.23	\$2.20	2,335
February 28, 2011	\$2.19	\$1.97	25,256
March 31, 2011	\$2.05	\$2.05	939
April 30, 2011	\$1.98	\$1.90	5,768
May 31, 2011	\$1.98	\$1.81	6,113
June 30, 2011	\$1.90	\$1.74	202,125
July 30, 2011	\$1.95	\$1.81	2,730
August 31, 2011	\$1.85	\$1.75	3,300
September 30, 2011	\$1.83	\$1.75	9,155
October 31, 2011	\$1.75	\$1.75	195
November 30, 2011	\$1.80	\$1.60	11,205
December 31, 2011	\$2.09	\$1.70	3,850

DIRECTORS AND OFFICERS

DIRECTORS			
Name	Position with Canlan & Period of Directorship	Province & Principal Occupation	Shares owned or over which Control or Direction is Exercised
W. Grant Ballantyne	Chairman Director since December 1998	British Columbia Director, TeraGo Networks Inc.	6,250
William B. Pattison (1)	Director since May 1986	British Columbia President, Pattison Information Inc. Pattison Information Inc. engages in the business of real estate consulting	3,100
Frank D. Barker (2)	Director since May 1986	British Columbia Partner, Kinetic Capital Partners Kinetic Capital Partners engages in the business of private equity investments	15,000
Geoffrey J. Barker (2)	Director since May 1987	British Columbia V.P. Properties & Development, Bartrac Holdings Ltd. Bartrac Holdings Ltd. engages in the business of real estate development	365

DIRECTORS			
Charles G. Allen (1)	Director since November 2006	Ontario President, Darmajac Holdings Limited Director, P.S. Production Services Ltd. Director, Terago Networks Inc.	12,200
Bill Bullis (2)	Director since June 2011	British Columbia Retired Past president and CEO of BCAA, a member services organization.	2,700
Victor D'Souza (1)	Director since June 2011	Ontario Managing Director, Reignite Capital	-
Joey St. Aubin	Director since March 2009	Ontario President and CEO Canlan Ice Sports Corp.	9,300
(1) Denotes a member of the Audit Committee (2) Denotes a member of the Compensation and Governance and Nominating Committees			

The term of each director expires at Canlan's next annual general meeting.

OFFICERS			
Name	Position & Principal Occupation	Province of Residence	Shares
W. Grant Ballantyne	Chairman of the Board	British Columbia	6,250
Joey St. Aubin	President and Chief Executive Officer	Ontario	9,300
Michael F. Gellard	Senior Vice President, Chief Financial Officer	British Columbia	18,900
Paul Dillon	Vice President, Sales, Marketing and Service	Ontario	---

Mark Faubert	Senior Vice President – Operations	British Columbia	2,200
Ken Male	Vice President – Partnership Solutions	Ontario	---
Mark Reynolds	Vice President, Human Resources	British Columbia	---
Ivan C. Wu	Vice President Finance and Recording Secretary.	British Columbia	6,700
Greg Porcellato	Vice President – Western Operations	British Columbia	---
Shari Lichterman	Vice President – Eastern Operations	Ontario	---

Bill Bullis was elected to the Board of Directors in June 2011. Mr. Bullis retired in 2009. Previously he was President and CEO of BCAA, a member services organization located in British Columbia. In 2007, Mr. Bullis completed the Director Education Program at the Institute of Corporate Directors and in 1988 completed the advanced management program at the Harvard Business school.

Victor D’Souza was elected to the Board of Directors in June 2011. Mr. D’Souza is currently Managing Director of Reignite Capital. Reignite Capital is a venture capital and private equity firm. Prior to joining Reignite Capital, Mr. D’Souza was CEO of Polyair Inter Pack Inc., a manufacturer of packaging products. Mr. D’Souza is a Chartered Accountant and has an MBA from McGill University.

Paul Dillon joined the Corporation as Vice-President of Marketing, Sales and Service on February 1, 2010. Previously, Mr. Dillon was the Director of Marketing, Sales & Customer Service at TransGlobe Property Management Services from 2007 to 2009, and the Director of Marketing at Greyhound Lines, Inc. from 2003 to 2007.

Shari Lichterman joined the Corporation as US Regional Manager on June 1, 2008. She was appointed Vice President of Eastern Operations on January 20, 2011. Previously, Ms. Lichterman was the Director of Operations at Firland Management LLC from 1999 to 2008.

The other directors and officers have held his or her present or principal occupation or similar positions with his or her present employer or its predecessor or affiliates for the past five years

The directors and officers of Canlan as a group, beneficially own, or exercise control or direction over, directly or indirectly, an aggregate of 76,715 Common Shares, representing less than one percent of the issued and outstanding Common Shares.

Conflicts of Interest

To the best of Canlan's knowledge, other than as disclosed herein, there are no known existing or potential conflicts of interest among Canlan and, its directors and officers as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to Canlan and their duties as a director or officer of such other companies.

Frank D. Barker and Geoffrey J. Barker, who are both directors of Canlan, are also directors of Bartrac Investments Ltd., the principal shareholder in Canlan, and Bartrac Holdings Ltd., a company that Canlan has historically relied upon for financial assistance.

Committees of the Board

Audit Committee

Audit Committee Charter

The Board of Directors (the “Board”) has established an Audit Committee (the “Committee”) to assist the Board in fulfilling its oversight of the financial reporting process including the integrity of the Corporation’s accounting and financial reporting, the Corporation’s internal controls and disclosure controls, the Corporation’s legal and regulatory compliance, the Corporation’s ethics policy and timeliness of filings with regulatory authorities, the independence and performance of the Corporation’s external auditors, the management of the Corporation’s risks, the Corporation’s credit worthiness, treasury plans and financial policy and the Corporation’s whistleblower and complaint procedures.

1. MEMBERSHIP

- The Committee will have a minimum of three members, including the Chair of the Committee. The Board will appoint and remove the members of the Committee by a majority vote. The members will sit on the Committee at the pleasure of the Board.
- The Board will appoint the Chair of the Committee from the Committee’s members by a majority vote. The Chair of the Committee will hold such position at the pleasure of the Board.
- All members of the Committee will be Independent Directors. A director is independent if he or she has no direct or indirect material relationship with the Corporation as determined in accordance with applicable laws and regulations.
- All members of the Committee will be financially literate as defined in accordance with applicable securities laws and standards.

2. MEETINGS

- The Committee will meet at least once each quarter corresponding with the Corporation’s reporting cycle and otherwise as necessary. Any member of the Committee may call meetings of the Committee.
- The Chair of the Committee will prepare an agenda in advance of each meeting.

- The notice, agenda and supporting documentation will be circulated to the members of the Committee at least four days in advance of the meeting to allow members appropriate time to prepare for the meeting. The notice and agenda will also be circulated to the CEO and all Directors.
- All Directors of the Corporation, including management directors, may attend meetings of the Committee provided, however, that no director is entitled to vote at such meetings and is not counted as part of the quorum for the Committee if he or she is not a member of the Committee.
- At each meeting of the Committee, the Committee members may meet in private sessions among themselves only; and when appropriate with the external auditors only; and with Management only.
- The Committee will report to the Board on its meetings and each member of the Board will have access to the minutes of the Committee's meetings, regardless of whether the director is a member of the Committee.

3. *QUORUM*

The quorum necessary for the transaction of business at Committee meetings will be a majority of the members of the Committee.

4. *DUTIES*

The Board hereby delegates to the Committee the following duties to be performed by the Committee on behalf of and for the Board:

Financial Reporting

Prior to public disclosure, the Committee in consultation with management, and where appropriate, the external auditors will review and recommend to the Board for approval:

- a) the annual audited financial statements and interim unaudited financial statements of the Corporation;
- b) the interim and annual management's discussion and analysis of financial condition and results of operations (MD&A) of the Corporation;
- c) earnings press releases and earnings guidance, if any;
- d) management's Statement on Financial Reporting; and

- e) all other material financial public disclosure documents of the Corporation including prospectuses, press releases with financial results and the Annual Information Form.

External Auditors

The external auditors will report directly to the Committee and the Committee will:

- a) recommend to the Board, for shareholder approval the external auditors and determine the compensation of the external auditors;
- b) oversee the work of the external auditors and review and approve the annual audit plan of the external auditors, including the scope of the audit to be performed. The Committee will discuss with the external auditors and management, the adequacy and effectiveness of the disclosure controls and internal controls of the Corporation and elicit recommendations for the improvement of such controls or particular areas where new or more detailed controls or procedures are desirable;
- c) meet with the external auditors without management present and ask the external auditors to report any significant disagreements with management regarding financial reporting, the resolution of such disagreements and any restrictions imposed by management on the scope and extent of the audit examinations conducted by the external auditors;
- d) pre-approve all audit, audit-related and non-audit services to be provided to the Corporation or any of its subsidiaries, by the external auditors (and its affiliates), in accordance with applicable securities laws;
- e) annually review the qualification, expertise and resources and the overall performance of the external audit team and, if necessary, recommend to the Board the termination of the external auditors or the rotation of the audit partner in charge;
- f) annually assess and confirm the independence of the external auditors and require the external auditors to deliver an annual report to the Committee regarding its independence, such report to include disclosure regarding all engagements (and fees related thereto) by the Corporation and relationships which may impact the objectivity and independence of the external auditors;
- g) require the external auditors to deliver an annual acknowledgement in writing to the Committee that the shareholders, as represented by the Board and the Committee, are its primary client;
- h) review post-audit or management letters, containing recommendations of the external auditors and management's response;
- i) review reports of the external auditors; and

- j) pre-approve the hiring of employees and former employees of current and former auditors in accordance with applicable securities laws.

Notwithstanding section (d) above, the Committee may delegate the pre approval of non-audit services to any one member of the Committee, provided, however, a report is made to the Committee on any pre-approval of such services at the Committee's first scheduled meeting following the pre-approval.

Whistleblower, Ethics and Internal Controls Complaint Procedure

The Committee will ensure that the Corporation has in place adequate procedures for:

- a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls, auditing matters or conflicts of interest; and
- b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

The CEO or CFO will report to the Committee, and the Committee will review such reports, on any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls.

Accounting and Financial Matters

The Committee will review:

- a) with management and the external auditors, the Corporation's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that could materially affect the financial results and whether they should be disclosed in the MD&A;
- b) emerging accounting issues and their potential impact on the Corporation's financial reporting;
- c) significant judgments, assumptions and estimates made by management in preparing financial statements'
- d) the evaluation by the external auditors of management's internal control systems, and managements responses to any identified weaknesses'
- e) the evaluation by management of the adequacy and effectiveness in the design and operation of the Corporation's disclosure controls and internal controls for financial reporting;
- f) audits designed to report on management's representations on the effectiveness and efficiency of selected projects, processes, programs or departments; and

- g) management's approach for safeguarding corporate assets and information systems, the adequacy of staffing of key financial functions and their plans for improvements.

Credit Worthiness, Treasury Plans and Financial Policy

The Committee will review with management:

- a) the Corporation's financial policies and compliance with such policies;
- b) the credit worthiness of the Corporation;
- c) the liquidity of the Corporation; and
- d) important treasury matters including financing plans.

Legal/regulatory Matters and Ethics

The Committee will review:

- a) with management, the external auditors and, if appropriate, legal counsel, any litigation, claim or other contingency, including any tax assessment, that could have a material effect upon the financial position or operating results of the Corporation;
- b) annually, management's relationships and compliance with regulators, and the accuracy and timeliness of filing with regulatory authorities; and
- c) annually, the ethics policy, management's approach to business ethics and corporate conduct and the program used by management to monitor compliance with the policy.

Risk Management

The Committee will:

- a) consider reports on the annual enterprise business risk assessment and updates thereto;
- b) consider reports on the business continuity disaster recover plan(s) for the Corporation;
- c) consider reports on the insurance coverage of the Corporation;
- d) consider reports on financial risk management including derivative exposure and policies;
- e) monitor, on behalf of the Board, the Corporation's compliance with environmental legislation; and
- f) review other risk management matters as from time to time the Committee may consider suitable or the Board may specifically direct.

Other

The Committee will review:

- a) the proposed disclosure concerning the Committee to be included in the Corporation's disclosure documents to verify, among other things, that it is in compliance with applicable securities law requirements;
- b) significant related party transactions and actual and potential conflicts of interest relating thereto to verify their propriety and that disclosure is appropriate; and
- c) at least once annually, evaluate the adequacy of these Terms of Reference and the Committee's performance, and report its evaluation and any recommendations for change to the Board via the Corporate Governance Committee.

The Committee will also have such other duties and responsibilities as are delegated to it and review such other matters as, from time to time, are referred to it by the Board.

5. AUTHORITY

The Committee, in fulfilling its mandate, will have the authority to:

- after informing the Board Chair and the CEO, engage and set compensation for independent counsel and other advisors;
- Communicate directly with the Chief Financial Officer, the External Auditors and General Counsel; and
- after informing the Board Chair and the CEO, access appropriate funding as determined by the Committee to carry out its duties.

Composition and Experience of Audit Committee

The Audit Committee is composed of William B. Pattison, President of Pattison Information Inc., Charles Allen, President of Darmajac Holdings Limited, and Victor D'Souza, Senior VP, Specialized Services of Livingston International.

Mr. Pattison has been a director of Canlan since May of 1986. He holds a bachelor of commerce degree from Cornell University and an MBA from Harvard University.

Mr. Allen has been a director of Canlan since November 2006. He has over 30 years of business experience and achieved a Chartered Accountant designation in 1974. He also holds a Bachelor of Arts degree from the University of Toronto.

Mr. D’Souza was elected to the Board of Directors in June 2011. He is a Chartered Accountant and has an MBA from McGill University.

All three members of the Audit Committee meet the independence criteria set out in National Instrument 52-110 - *Audit Committees* (“52-110”). All three members of the Audit Committee are “financially literate” as that term is defined in 52-110.

Mr. Allen was appointed to the Audit Committee in 2008 and also appointed as chair of the Audit Committee in 2008.

Compensation Committee

The Compensation Committee is composed of Frank D. Barker, a director of Bartrac Holdings Ltd. and Bartrac Investments Ltd., and a partner of Kinetic Capital Partners, Geoffrey J. Barker a director of Bartrac Holdings Ltd. and Bartrac Investments Ltd. and Vice President of properties and development of Bartrac Holdings Ltd., and Bill Bullis (chairman), formerly President and CEO of BCAA. The Compensation Committee is a standing committee appointed by the board of directors to make recommendations to the board of directors concerning the compensation paid to the senior management, to administer benefit plans and to develop and monitor a succession plan.

Governance and Nominating Committee

The Governance and Nominating Committee is composed of, Bill Bullis (chairman), formerly President and CEO of BCAA, Frank D. Barker, a director of Bartrac Holdings Ltd. and Bartrac Investments Ltd. and partner of Kinetic Capital Partners and Geoffrey J. Barker a director of Bartrac Holdings Ltd. and Bartrac Investments Ltd. and vice president of properties and development of Bartrac Holdings Ltd. The Governance and Nominating Committee is a standing committee appointed by the board of directors to develop a set of corporate governance guidelines, to assist the board of directors in developing a long term plan for compensation of the board of directors, identify qualified candidates for membership on the board of directors and to recommend to the board of directors nominees for election at each annual general meeting.

Committee Chair Responsibilities

The Chair of each Committee shall perform its duties and responsibilities as set out in the Committee's Mandate or otherwise delegated to the Chair by the Committee. In addition, the Chair of each Committee shall:

- designate the secretary of the Committee;
- work with the Chairman of the Board and the President & CEO to establish the frequency of committee meetings and the agendas for meetings;
- ensure the appropriate flow of information to Committee members and review the adequacy and timing of materials;
- attend and preside at all Committee meetings;
- as appropriate and in consultation with the Committee, retain, oversee and terminate independent advisers to assist the Committee or its members in fulfillment of their responsibilities;
- lead the Committee in annually reviewing and assessing the adequacy of its Mandate and evaluating its effectiveness in fulfilling its Mandate;
- encourage an atmosphere of openness and trust and maintain a cohesive group without losing diversity of opinion and objectivity;
- facilitate a candid and full discussion of all key matters that come before the Committee;
- report to the Board with respect to the activities of the Committee and any recommendations deemed desirable by the Committee; and
- communicate the Committee's conclusions and decisions to the Chief Executive Officer and senior management for implementation.

LEGAL PROCEEDINGS

Canlan is a defendant in two lawsuits related to wrongful dismissal. The financial impact of this lawsuit is not determinable, but management believes that the outcome will not materially affect the Corporation's financial position. See "Risk Factors – Litigation".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No material transactions entered into during the past three years, or proposed to be entered into, that have affected, or can reasonably be expected to affect, materially Canlan or any of its affiliates, and which involve an officer or director of Canlan, the principal shareholder of Canlan, or any associate or affiliate of any such persons or companies.

Preferred shares dividends paid by Canlan Management Services Ltd. to Bartrac Holdings Ltd., an affiliate of Canlan's principal shareholder, were as follows:

2011	nil
2010	nil
2009	\$153,700

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia is the transfer agent and registrar for the Common Shares.

MATERIAL CONTRACTS

The only material contracts entered into within the most recently completed financial year or entered into before the most recently completed financial year but still in effect, other than contracts entered into in the ordinary course of business, are as follows:

- An International Swap Dealers Association, Inc. Master Agreement dated June 19, 2008, between Canlan and a financial institution – See “Description of the Business – Loans – Loans from Financial Institutions.”
- An Amended and Restated Loan Agreement (assignment of Bank Indebtedness to the lender in the amount of \$30,000,000) dated July 31, 2008, between the Corporation and a financial institution – See “Description of the Business – Loans – Loans from Financial Institutions.”
- A long-term lease agreement for the Corporation to lease a recreation facility in Fort Wayne, Indiana - See “Description of the Business – Summary of Ice Facility Operations – Indiana.”
- A Renewal and Amending letter (renewal and extension of credit facilities with original principal of \$20,000,000 and a new \$5,000,000 revolving loan) dated March 22, 2011, between Canlan and a financial institution – See “Description of the Business – Loans – Loans from Financial Institutions.”

AUDITORS

The Corporation's auditor is KPMG LLP, independent chartered accountants, 777 Dunsmuir Street, Vancouver, British Columbia V7Y 1K3. The partners and associates KPMG LLP do not own any of the outstanding Common Shares.

The table below shows the fees that KPMG LLP, the Corporation's auditor, billed to Corporation for the various services described for the years ended December 31 2011 and 2010:

<i>in thousands</i>	2011	2010
Audit	\$125.0	\$122.0
Audit-related	2.0	1.0
IFRS	69.0	55.0
Tax	79.0	71.0

Audit and Audit-related

These fees represent professional services provided by the Corporation's auditor, KPMG LLP, with respect to the audit of the Corporation's consolidated financial statements.

IFRS

These fees represent the professional services provided by the Corporation's auditor, KPMG LLP, with respect to the limited audit procedures related to the Corporation's transition to International Financial Reporting Standards (IFRS).

Tax

These fees represent professional services provided by the Corporation's auditor, KPMG LLP, with respect to tax compliance and tax planning services.

Of the amount paid to KPMG LLP, in relation to fiscal 2011 services, 46% was in relation to audit and audit related services, 25% to IFRS-related services, and 29% in relation to tax compliance and planning services.

ADDITIONAL INFORMATION

Additional information, including Directors' and Officers' remuneration and indebtedness, principal holders of Canlan's securities, options to purchase securities, and interests of insiders in material transactions is contained in Canlan's information circular for its Annual Meeting of Shareholders. Additional financial information is also provided in the Corporation's comparative financial statements and management and discussion and analysis for its December 31, 2011 financial year. These documents and other information about the Corporation can be found on SEDAR at www.sedar.com.

Corporate Information:

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